

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2001 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-12289

SEACOR SMIT Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

13-3542736
(IRS Employer
Identification No.)

11200 Richmond, Suite 400, Houston, Texas
(Address of Principal Executive Offices)

77082
(Zip Code)

(713) 782-5990
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

The total number of shares of common stock, par value \$.01 per share, outstanding as of November 9, 2001 was 20,081,060. The Registrant has no other class of common stock outstanding.

SEACOR SMIT INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**SEACOR SMIT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data, unaudited)**

	September 30, 2001	December 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 130,751	\$ 224,219
Marketable securities (available-for-sale).....	–	4,997
Trade and other receivables, net of allowance for doubtful accounts of \$1,392 and \$1,310, respectively.....	111,569	87,687
Prepaid expenses and other	7,786	5,103
Total current assets	250,106	322,006
Investments, at Equity, and Receivables from 50% or Less Owned Companies....	154,139	137,694
Available-for-Sale Securities	56,697	77,184
Property and Equipment	1,002,440	712,511
Less – Accumulated depreciation	(241,616)	(185,433)
Net property and equipment	760,824	527,078
Restricted Cash	54,708	40,759
Other Assets	48,703	28,009
	\$ 1,325,177	\$ 1,132,730
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 39,744	\$ 2,553
Accounts payable and accrued expenses	29,761	25,746
Other current liabilities	37,044	38,084
Total current liabilities	106,549	66,383
Long-term Debt.....	305,013	377,955
Deferred Income Taxes	161,725	119,545
Deferred Gains and Other Liabilities	12,673	14,371
Minority Interest in Subsidiaries	1,995	1,924
Common Stock Sold with Equity Forward Transaction	10,000	–
Stockholders' Equity:		
Common stock, \$.01 par value, 24,024,393 and 21,426,969 shares issued at September 30, 2001 and December 31, 2000, respectively.....	240	214
Additional paid-in capital	384,928	278,567
Retained earnings	454,164	402,142
Less 3,941,883 and 4,310,505 shares held in treasury at September 30, 2001 and December 31, 2000, respectively, at cost.....	(109,424)	(125,968)
Less unamortized restricted stock compensation.....	(2,560)	(1,301)
Accumulated other comprehensive loss.....	(126)	(1,102)
Total stockholders' equity	727,222	552,552
	\$ 1,325,177	\$ 1,132,730

The accompanying notes are an integral part of these financial statements
and should be read in conjunction herewith.

SEACOR SMIT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share data, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2001	2000	2001	2000
Operating Revenues	\$ 119,358	\$ 93,552	\$ 324,986	\$ 251,640
Costs and Expenses:				
Operating expenses	60,512	56,913	176,203	150,521
Administrative and general	13,140	10,231	36,794	29,245
Depreciation and amortization	15,511	13,782	42,266	38,771
	<u>89,163</u>	<u>80,926</u>	<u>255,263</u>	<u>218,537</u>
Operating Income	<u>30,195</u>	<u>12,626</u>	<u>69,723</u>	<u>33,103</u>
Other Income (Expense):				
Interest on debt	(5,798)	(6,792)	(16,793)	(21,146)
Interest income	3,023	4,273	10,910	12,394
Gain from equipment sales and retirements, net	4,145	1,824	7,992	6,932
Gain upon sale of shares of Chiles	-	4,023	-	4,023
Derivative income, net	1,997	6,696	1,962	5,617
Other, net	829	1,471	2,670	2,731
	<u>4,196</u>	<u>11,495</u>	<u>6,741</u>	<u>10,551</u>
Income Before Income Taxes, Minority Interest, Equity in Earnings (Losses) of 50% or Less Owned Companies, and Extraordinary Item	34,391	24,121	76,464	43,654
Income Tax Expense	12,141	7,857	26,886	14,276
Income Before Minority Interest, Equity in Earnings (Losses) of 50% or Less Owned Companies, and Extraordinary Item	22,250	16,264	49,578	29,378
Minority Interest in Income of Subsidiaries	(92)	(2,093)	(256)	(3,303)
Equity in Earnings (Losses) of 50% or Less Owned Companies	348	(2,680)	3,596	(3,064)
Income Before Extraordinary Item	22,506	11,491	52,918	23,011
Extraordinary Item – Loss on Debt Extinguishment, net of tax	-	-	(896)	-
Net Income	<u>\$ 22,506</u>	<u>\$ 11,491</u>	<u>\$ 52,022</u>	<u>\$ 23,011</u>
Basic Earnings Per Common Share:				
Income before extraordinary item	\$ 1.13	\$ 0.68	\$ 2.74	\$ 1.36
Extraordinary item	-	-	(0.05)	-
Net income	<u>\$ 1.13</u>	<u>\$ 0.68</u>	<u>\$ 2.69</u>	<u>\$ 1.36</u>
Diluted Earnings Per Common Share:				
Income before extraordinary item	\$ 0.97	\$ 0.62	\$ 2.47	\$ 1.32
Extraordinary item	-	-	(0.04)	-
Net income	<u>\$ 0.97</u>	<u>\$ 0.62</u>	<u>\$ 2.43</u>	<u>\$ 1.32</u>
Weighted Average Common Shares:				
Basic	19,990,199	16,920,118	19,319,905	16,870,507
Diluted	21,289,672	21,285,243	21,363,299	21,212,144

The accompanying notes are an integral part of these financial statements and should be read in conjunction herewith.

SEACOR SMIT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended September 30,	
	2001	2000
Net Cash Provided by Operating Activities	\$ 75,762	\$ 41,911
Cash Flows from Investing Activities:		
Purchase of property and equipment	(83,052)	(48,903)
Proceeds from sale of marine vessels and equipment	20,637	14,912
Purchase of available-for-sale securities	(64,114)	(20,894)
Proceeds from sale of available-for-sale securities	94,127	53,952
Proceeds from sale of investment in 50% or less owned companies	3,076	-
Investments in and advances to 50% or less owned companies	(5,124)	(1,058)
Principal payments on notes due from 50% or less owned companies	2,987	1,417
Dividends received from 50% or less owned companies	1,417	7,788
Net (increase) decrease in restricted cash	(13,949)	7,672
Cash settlement from derivative transactions	1,278	(1,245)
Acquisitions, net of cash acquired	(99,236)	(14,973)
Cash of Chiles Offshore LLC, a deconsolidated subsidiary	-	(11,691)
Other, net	(150)	376
Net cash used in investing activities	(142,103)	(12,647)
Cash Flows from Financing Activities:		
Payments of long-term debt	(64,604)	(15,482)
Payments of capital lease obligations	(1,316)	(1,248)
Payments of stockholders' loans	(278)	(258)
Proceeds from issuance of long-term debt	31,171	112
Proceeds from issuance of common stock	10,000	-
Proceeds from exercise of stock options	118	379
Common stock acquired for treasury	-	(4,791)
Proceeds from membership interest offering of Chiles Offshore LLC	-	17,651
Termination of swap agreements	-	19,504
Other	1	(102)
Net cash provided by (used in) financing activities	(24,908)	15,765
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,219)	(1,380)
Net Decrease in Cash and Cash Equivalents	(93,468)	43,649
Cash and Cash Equivalents, Beginning of Period	224,219	178,509
Cash and Cash Equivalents, End of Period	\$ 130,751	\$ 222,158

The accompanying notes are an integral part of these financial statements
and should be read in conjunction herewith.

SEACOR SMIT INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation —

The condensed consolidated financial information for the three and nine-month periods ended September 30, 2001 and 2000 has been prepared by the Company and was not audited by its independent public accountants. In the opinion of management, all adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Company at September 30, 2001 and for all reported periods. Results of operations for the interim periods presented are not necessarily indicative of the operating results for the full year or any future periods.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

Unless the context otherwise indicates, any references in this Quarterly Report on Form 10-Q to the "Company" refer to SEACOR SMIT Inc. and its consolidated subsidiaries, and any references in this Quarterly Report on Form 10-Q to "SEACOR" refer to SEACOR SMIT Inc.

Certain reclassifications of prior year information have been made to conform with the current year presentation.

2. Recent Accounting Pronouncements —

Effective January 1, 2001, the Company adopted Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities", as amended. The Statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair market value. SFAS 133 requires that changes in the derivative's fair market value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The cumulative effect of adopting SFAS 133 resulted in other comprehensive income of \$71,000. The Company has foreign currency exchange risks primarily related to its offshore marine service vessel operations that are conducted from ports located in the United Kingdom, where its functional currency is Pounds Sterling. To protect the U.S. dollar value of certain Pounds Sterling denominated net assets of the Company from the effects of volatility in foreign currency exchange rates that might occur prior to their conversion to U.S. dollars, the Company has entered into forward exchange contracts. The Company considers these forward exchange contracts as economic hedges of its net investment in the United Kingdom and resulting gains or losses from those transactions are charged to Accumulated Other Comprehensive Income in Stockholders' Equity. During the nine months ended September 30, 2001, the Company settled several Pounds Sterling forward exchange contracts, which resulted in a realized gain of \$131,000. At September 30, 2001, the Company had no outstanding Pounds Sterling forward exchange contracts for which hedge accounting criteria were met.

In July 2001, the Financial Accounting Standards Board ("FASB") approved two new accounting standards related to the accounting for business combinations and goodwill and other intangible assets. The standards, which are numbered SFAS No. 141 and 142, among other requirements, (i) prohibit the use of the pooling-of-interests method of accounting for business combinations, (ii) require that goodwill not be amortized in any circumstance, and (iii) require that goodwill be tested for impairment annually or when events or circumstances occur between annual tests indicating that goodwill for a reporting unit might be impaired. The standards will establish a new method for testing goodwill for impairment based on a fair value concept. Management's current policy is to periodically evaluate the amortization periods for goodwill to determine if later events or circumstances warrant revised estimates of useful lives. It is also management's policy to review goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. As of and subsequent to September 30, 2001, there have been no events or changes in circumstances surrounding purchased businesses to indicate that the carrying value of the allocated goodwill may not be recoverable. The standards will take effect for the fiscal year beginning after December 15, 2001, which would be the Company's fiscal year beginning January 1, 2002. Upon adoption, the Company will be required to cease amortization of its remaining goodwill balance and will be required to perform an impairment

test based on a fair value concept of its existing goodwill. The Company has not completed an analysis of the potential impact upon adoption of the impairment test of goodwill; however, amortization of existing goodwill, which was approximately \$898,000 and \$2,336,000 for the three and nine-month periods ended September 30, 2001, respectively, will cease upon adoption.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which requires recording the fair value of a liability for an asset retirement obligation in the period incurred. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application permitted. Upon adoption of the standard, the Company will be required to use a cumulative effect approach to recognize transition amounts for any existing retirement obligation liabilities, asset retirement costs, and accumulated depreciation. The Company has not determined what effect this statement will have on its financial statements, if any.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". This new statement also supercedes certain aspects of APB 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred rather than as of the measurement date as presently required by APB 30. Additionally, certain dispositions may now qualify for discontinued operations treatment. The provisions of this statement are required to be applied for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The Company has not yet determined what effect this statement will have on its financial statements.

3. Comprehensive Income —

For the three-month periods ended September 30, 2001 and 2000, total comprehensive income was \$26,896,000 and \$11,948,000, respectively. For the nine-month periods ended September 30, 2001 and 2000, total comprehensive income was \$52,998,000 and \$25,308,000, respectively. Other comprehensive income in 2001 primarily included gains from foreign currency translation adjustments and unrealized holding gains on available-for-sale securities and other comprehensive income in 2000 primarily included unrealized holding gains on available-for-sale securities and losses from foreign currency translation adjustments.

4. Vessel Dispositions —

In the nine-month period ended September 30, 2001, the Company sold 19 offshore marine vessels. Net pre-tax gains from those sales and the disposition of other equipment totaled \$7,992,000. Proceeds from certain vessel sales this year were deposited into joint depository construction reserve funds with the U.S. Maritime Administration. Construction reserve fund accounts, reported as Restricted Cash in the Condensed Consolidated Balance Sheets, have been established for purposes of acquiring newly constructed U.S.-flag vessels and qualifying for the Company's temporary deferral of taxable gains realized from the sale of certain vessels.

5. Acquisitions —

In January 2001, the Company acquired all of the issued share capital of Plaisance Marine, Inc. ("Plaisance") that owns two mini-supply vessels and acquired four additional mini-supply vessels from companies affiliated with Plaisance (collectively the "Plaisance Fleet"). Aggregate consideration paid for the Plaisance Fleet and certain related spares and other assets was approximately \$20,100,000, including approximately \$16,200,000 paid in cash, the assumption of approximately \$700,000 of debt, and the issuance of 71,577 shares of SEACOR's common stock from treasury, valued at approximately \$3,700,000 on the closing date. The Plaisance Fleet operates in the U.S. Gulf of Mexico.

In February 2001, the Company acquired two U.S. based towing supply vessels from Rincon Marine, Inc., a U.S. based operator ("Rincon"). Aggregate consideration paid Rincon was approximately \$19,700,000, including approximately \$6,100,000 in cash and the assumption of approximately \$13,600,000 of debt.

In February 2001, the Company completed the acquisition of all of the issued share capital of Gilbert Cheramie Boats, Inc. and related companies (collectively, "Cheramie"). Purchase consideration was approximately \$62,800,000 in cash. Through its acquisition of Cheramie, the Company acquired 11 mini-supply, 11 utility, and 2 offshore supply vessels operating in the U.S. Gulf of Mexico.

On May 4, 2001, the Company completed the acquisition of all of the outstanding share capital of Stirling Shipping Holdings Limited ("Stirling Shipping"). Purchase consideration was determined by the estimated adjusted net assets of Stirling Shipping at closing and totaled approximately £54,300,000 (\$77,100,000 based on exchange rates in effect and the price of SEACOR's common stock on the closing date). Purchase consideration consisted of £29,900,000, or \$43,000,000, in cash, £14,700,000, or \$21,200,000, in one-year loan notes, and 285,852 shares of SEACOR's common stock issued from treasury, valued at \$12,900,000, and is subject to adjustment based on finalization of Stirling Shipping's closing balance sheet. Stirling Shipping's long term debt at closing was approximately £43,000,000, or \$61,900,000. To fund a portion of the Stirling acquisition, the Company borrowed \$25,000,000 under its unsecured reducing revolving credit facility with Den norske Bank ASA (the "DnB Credit Facility") that was established in November 1998. In the third quarter, the Company repaid the \$25,000,000 principal amount, plus accrued interest, borrowed under the DnB Credit Facility. Through its acquisition of Stirling Shipping, the Company acquired 12 offshore support vessels currently working in the North Sea, including 9 supply and 3 anchor handling towing supply vessels, and contracts for the construction of 2 anchor handling towing supply vessels. The new construction vessels are being built in the UK and are scheduled for delivery during the first half of 2002.

The costs of the Plaisance, Cheramie, and Stirling Shipping acquisitions were allocated under the purchase method of accounting based upon the fair value of the assets acquired and liabilities assumed, plus amounts of transaction costs and the related deferred tax effect of the acquisitions. Goodwill of approximately \$500,000 and \$22,300,000 was recorded in connection with the Plaisance and Cheramie acquisitions, respectively, and is being amortized to expense over 12 to 22 years.

The pro forma effect of the Plaisance and Cheramie acquisitions on the results of operations was not material; however, the pro forma effect of the Stirling Shipping acquisition was material and therefore the following unaudited pro forma information has been prepared as if the acquisition had occurred at the beginning of each of the periods presented, in thousands of dollars except per share data. This pro forma information has been prepared for comparative purposes only and is not necessarily indicative of what would have occurred had the acquisition taken place on the dates indicated, nor does it purport to be indicative of the future operating results of the Company.

	For the Three Months Ended		For the Nine Months Ended	
	9/30/01	9/30/00	9/30/01	9/30/00
Revenue	\$ 119,358	\$ 104,995	\$ 341,524	\$ 282,924
Income Before Extraordinary Item	22,506	12,780	55,466	25,094
Net Income	22,506	12,780	54,570	25,094
Basic Earnings Per Share	1.13	0.74	2.82	1.46

In the nine-month period ended September 30, 2001, shipyards completed construction and delivered to the Company 2 crew and 1 supply and towing supply vessel for approximately \$20,800,000 and 52 inland river hopper barges ("barges") for approximately \$12,900,000.

6. Earnings Per Share —

Basic earnings per share were computed based on the weighted average number of common shares issued and outstanding during the relevant periods. Diluted earnings per share were computed based on the weighted average number of common shares issued and outstanding plus all potentially dilutive common shares that would have been outstanding in the relevant periods assuming the vesting of restricted stock grants and the issuance of common shares for stock options and convertible subordinated notes through the application of the treasury stock and if-converted methods. Computation of diluted earnings per share excludes certain options and share awards, totaling 57,500 and 30,000, respectively, for the three and nine-month periods ended September 30, 2001 and 23,263 and 25,877, respectively, for the three and nine-month periods ended September 30, 2000, as the effect would have been antidilutive.

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	Income	Shares	Per Share	Income	Shares	Per Share
2001						
Basic Earnings Per Share:						
Income Before Extraordinary Item.....	\$ 22,506,000	19,990,199	\$ <u>1.13</u>	\$ 52,918,000	19,319,905	\$ <u>2.74</u>
Effect of Dilutive Securities, net of tax:						
Options and Restricted Stock.....		246,746		–	269,919	
Convertible Securities.....	431,000	1,052,727		2,164,000	1,773,475	
Common Stock Sold with Equity Forward Transaction (See Note 8).....	(2,283,000)	–		(2,283,000)	–	
Diluted Earnings Per Share:						
Income Available to Common Stockholders Plus Assumed Conversions.....	\$ <u>20,654,000</u>	<u>21,289,672</u>	\$ <u>0.97</u>	\$ <u>52,799,000</u>	<u>21,363,299</u>	\$ <u>2.47</u>
2000						
Basic Earnings Per Share:						
Income Before Extraordinary Item.....	\$ 11,491,000	16,920,118	\$ <u>0.68</u>	\$ 23,011,000	16,870,507	\$ <u>1.36</u>
Effect of Dilutive Securities, net of tax:						
Options and Restricted Stock.....	–	237,855		–	214,367	
Convertible Securities.....	1,652,000	4,127,270		4,952,000	4,127,270	
Diluted Earnings Per Share:						
Income Available to Common Stockholders Plus Assumed Conversions.....	\$ <u>13,143,000</u>	<u>21,285,243</u>	\$ <u>0.62</u>	\$ <u>27,963,000</u>	<u>21,212,144</u>	\$ <u>1.32</u>

7. Segment Data —

The Company aggregates its business activities into three primary operating segments: offshore marine, environmental, and drilling. These operating segments represent strategic business units that offer different services. The offshore marine business segment charters support vessels to owners and operators of offshore drilling rigs and production platforms both domestically and internationally. The Company's offshore marine business segment also offers logistics services, which include shorebase, marine transport, and other supply chain management services in support of offshore exploration and production operations. The environmental business segment provides contractual oil spill response and other related training and consulting services. The drilling business segment, which owns and operates jackup drilling rigs, conducted its business affairs through Chiles Offshore LLC ("Chiles Offshore"), an entity in which the Company owned a majority ownership interest until its conversion into a corporation (with Chiles Offshore renamed "Chiles Offshore Inc.") and completion of the initial public offering of its common stock (the "Chiles IPO") on September 22, 2000. As a consequence of the Chiles IPO, the Company's ownership interest in Chiles Offshore was reduced to 27.3% and as of September 30, 2001 was 23.8%. With less than 50% ownership interest, the Company no longer consolidates Chiles Offshore and its consolidated subsidiaries' financial condition, results of operations and cash flows and, as of September 22, 2000, began accounting for its interest in Chiles Offshore using the equity method.

The Company evaluates the performance of each operating business segment based upon the operating profit of the segment, which includes gains and losses from the sale of equipment and interests in 50% or less owned companies and equity interests in the earnings (losses) of 50% or less owned companies but excludes minority interest in subsidiaries, interest income and expense, gains and losses from derivative transactions and the sale of marketable securities, corporate expenses, and income taxes. Operating profit is defined as Operating Income as reported in the Consolidated Statements of Operations excluding corporate expenses and including certain other income and expense items. The accounting policies of the operating business segments have not changed from those previously described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000. The table presented below sets forth operating revenue and profit by the Company's various business segments, in thousands of dollars, and these results may differ from separate financial statements of subsidiaries of the Company due to certain elimination entries required in consolidation.

	Offshore Marine	Environmental	Drilling	Other and Corporate	Total
For the Three Months Ended September 30, 2001:					
Operating Revenues –					
External Customers	\$ 110,785	\$ 5,916	\$ –	\$ 2,657 ^(a)	\$ 119,358
Intersegment	191	–	–	(191)	–
Total	<u>\$ 110,976</u>	<u>\$ 5,916</u>	<u>\$ –</u>	<u>\$ 2,466</u>	<u>\$ 119,358</u>
Operating Profit.....	\$ 31,579	\$ 78	\$ –	\$ 732	\$ 32,389
Gains from Equipment Sales and Retirements, net	4,141	4	–	–	4,145
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	833	59	1,151	(1,391)	652
Minority Interest in Subsidiaries.....	–	–	–	(92)	(92)
Interest Income.....	–	–	–	3,023	3,023
Interest Expense.....	–	–	–	(5,798)	(5,798)
Derivative Income, net	–	–	–	1,997	1,997
Gains from Sale of Marketable Securities, net	–	–	–	1,184	1,184
Corporate Expenses	–	–	–	(2,549)	(2,549)
Income Taxes	–	–	–	(12,445)	(12,445)
Income (Loss) before Extraordinary Item	<u>\$ 36,553</u>	<u>\$ 141</u>	<u>\$ 1,151</u>	<u>\$ (15,339)</u>	<u>\$ 22,506</u>
For the Three Months Ended September 30, 2000:					
Operating Revenues –					
External Customers	\$ 72,320	\$ 6,200	\$ 14,724	\$ 308 ^(a)	\$ 93,552
Intersegment	76	–	–	(76)	–
Total	<u>\$ 72,396</u>	<u>\$ 6,200</u>	<u>\$ 14,724</u>	<u>\$ 232</u>	<u>\$ 93,552</u>
Operating Profit.....	\$ 6,721	\$ 731	\$ 5,885	\$ 73	\$ 13,410
Gains from Equipment Sales and Retirements, net	1,821	3	–	–	1,824
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	(2,074)	135	74	(1,166)	(3,031)
Minority Interest in Subsidiaries.....	–	–	–	(2,093)	(2,093)
Interest Income.....	–	–	–	4,273	4,273
Interest Expense.....	–	–	–	(6,792)	(6,792)
Derivative Income, net	–	–	–	6,696	6,696
Gains from Sale of Marketable Securities, net	–	–	–	2,057	2,057
Gain Upon Sale of Shares of Chiles.....	–	–	–	4,023	4,023
Corporate Expenses	–	–	–	(1,370)	(1,370)
Income Taxes	–	–	–	(7,506)	(7,506)
Income (Loss) before Extraordinary Item	<u>\$ 6,468</u>	<u>\$ 869</u>	<u>\$ 5,959</u>	<u>\$ (1,805)</u>	<u>\$ 11,491</u>
For the Nine Months Ended September 30, 2001:					
Operating Revenues –					
External Customers	\$ 298,128	\$ 20,177	\$ –	\$ 6,681 ^(a)	\$ 324,986
Intersegment	631	–	–	(631)	–
Total	<u>\$ 298,759</u>	<u>\$ 20,177</u>	<u>\$ –</u>	<u>\$ 6,050</u>	<u>\$ 324,986</u>
Operating Profit.....	\$ 72,874	\$ 1,648	\$ –	\$ 1,438	\$ 75,960
Gains (Losses) from Equipment Sales and Retirements, net	8,143	6	–	(157)	7,992
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	4,051	62	3,988	(3,758)	4,343
Gain from Sale of Interest in a 50% or Less Owned Company.....	100	–	–	–	100
Minority Interest in Subsidiaries.....	–	–	–	(256)	(256)
Interest Income.....	–	–	–	10,910	10,910
Interest Expense.....	–	–	–	(16,793)	(16,793)
Derivative Income, net	–	–	–	1,962	1,962
Gains from Sale of Marketable Securities, net	–	–	–	3,583	3,583
Corporate Expenses	–	–	–	(7,251)	(7,251)
Income Taxes	–	–	–	(27,632)	(27,632)
Income (Loss) before Extraordinary Item	<u>\$ 85,168</u>	<u>\$ 1,716</u>	<u>\$ 3,988</u>	<u>\$ (37,954)</u>	<u>\$ 52,918</u>
For the Nine Months Ended September 30, 2000:					
Operating Revenues –					
External Customers	\$ 196,828	\$ 17,125	\$ 37,379	\$ 308 ^(a)	\$ 251,640
Intersegment	287	–	–	(287)	–
Total	<u>\$ 197,115</u>	<u>\$ 17,125</u>	<u>\$ 37,379</u>	<u>\$ 21</u>	<u>\$ 251,640</u>
Operating Profit.....	\$ 19,292	\$ 1,573	\$ 14,615	\$ 70	\$ 35,550
Gains from Equipment Sales and Retirements, net	6,923	9	–	–	6,932
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	(703)	405	74	(3,982)	(4,206)
Minority Interest in Subsidiaries.....	–	–	–	(3,303)	(3,303)
Interest Income.....	–	–	–	12,394	12,394
Interest Expense.....	–	–	–	(21,146)	(21,146)
Derivative Income, net	–	–	–	5,617	5,617
Gains from Sale of Marketable Securities, net	–	–	–	4,408	4,408
Gain Upon Sale of Shares of Chiles.....	–	–	–	4,023	4,023
Corporate Expenses	–	–	–	(4,124)	(4,124)
Income Taxes	–	–	–	(13,134)	(13,134)
Income (Loss) before Extraordinary Item	<u>\$ 25,512</u>	<u>\$ 1,987</u>	<u>\$ 14,689</u>	<u>\$ (19,177)</u>	<u>\$ 23,011</u>

(a) Operating revenues are attributable to the Company's inland barge business that commenced operation in the third quarter of 2000.

8. Long-Term Debt —

During the nine-month period ended September 30, 2001, SEACOR called for redemption \$100,000,000 of the \$181,600,000 aggregate principal amount outstanding of its 5 3/8% Convertible Subordinated Notes Due November 15, 2006 (the "5 3/8% Notes"). The redemption price was \$1,029.90 per \$1,000 principal amount of notes plus accrued interest to the applicable redemption date. Holders of notes being called were able to convert any or all of their notes into 22.7272 shares of SEACOR's common stock per \$1,000 principal amount of notes. The call, together with certain privately negotiated transactions, resulted in the conversion of \$99,166,000 principal amount of the 5 3/8% Notes into 2,285,878 shares of SEACOR's common stock and redemption of \$36,114,000 principal amount of the 5 3/8% Notes for approximately \$37,970,000.

Pursuant to an amended and restated standby purchase agreement between Credit Suisse First Boston ("CSFB") and SEACOR, CSFB was obligated, subject to several conditions, to purchase from SEACOR, at a purchase price of \$46.26 per share, the number of shares of SEACOR's common stock necessary to provide SEACOR with the proceeds to pay the aggregate total redemption price of up to \$100,000,000 face amount of the 5 3/8% Notes that SEACOR redeemed. In the second quarter, CSFB purchased 216,170 shares of SEACOR's common stock to provide SEACOR with proceeds to redeem \$10,000,000 principal amount of the 5 3/8% Notes that were called but not converted. Related underwriting and legal and professional fees expensed in the nine-month period ended September 30, 2001 totaled \$586,000.

SEACOR also entered into an equity forward transaction with Credit Suisse First Boston International ("CSFBi"), an affiliate of CSFB, with respect to shares of SEACOR's common stock that CSFB purchased from SEACOR under the standby purchase agreement. The equity forward transaction provides that at maturity, which will occur twelve months following this purchase by CSFB of shares of SEACOR's common stock, SEACOR will elect, as described below, to either purchase the shares covered by the equity forward transaction from CSFBi or cash settle the transaction. If SEACOR elects to purchase the shares from CSFBi, it will pay a purchase price equal to \$46.26 (the purchase price under the standby purchase agreement) plus interest calculated at LIBOR plus 115 basis points, from the date that CSFB purchased those shares from SEACOR to the date that SEACOR purchases those shares from CSFBi. If SEACOR elects to cash settle the transaction, then if the value of the shares at maturity (determined on the basis of the net proceeds that CSFBi is able to receive upon the sale of those shares in the open market) exceeds the purchase price described above, then CSFBi will pay to SEACOR the amount of such excess in cash at maturity. If the purchase price exceeds the value of the shares at maturity, then SEACOR will pay to CSFBi the amount of such excess in cash at maturity. SEACOR has the right to accelerate the maturity of the equity forward transaction in whole or in part at any time upon prior written notice to CSFBi. The equity forward transaction also contains customary events of default and termination events following which either one or both parties would have the right to terminate the transaction and make net cash payments based on the net value of the transaction at the time of termination.

The market value of SEACOR's common stock issued in the equity forward transaction was \$2,283,000 less than the price at which SEACOR could purchase those same shares from CSFBi, assuming maturity at September 30, 2001. Although this temporary decline is not reflected in net income as reported in the Condensed Consolidated Statements of Operations, the Company did deduct \$2,283,000 from income available to common stockholders in the computation of diluted earnings per share for the three and nine-month periods ended September 30, 2001 as its effect was dilutive in both periods.

9. Commitments and Contingencies —

As of September 30, 2001, the Company was committed to the construction of 12 offshore support vessels for an approximate aggregate cost of \$88,118,000 of which \$38,678,000 has been expended. Following quarter-end, the Company committed to the construction of 50 barges for an approximate aggregate cost of \$12,000,000. These vessels and barges are expected to enter service within the next twelve months.

10. Subsequent Events —

In October 2001, the Company received a binding commitment letter from a group of banks which sets forth the preliminary terms for a five year multi-currency senior unsecured revolving credit facility of \$200,000,000 (the "New Credit Facility"). The New Credit Facility will replace the Company's existing unsecured reducing revolving credit facility with Den norske Bank ASA. The Company intends to use the New Credit Facility to fund general corporate purposes. The Company has agreed to assist the bank group in syndicating up to \$85,000,000 to other banks. The New Credit Facility is expected to close during the fourth quarter of 2001.

Subject to definitive documentation, the commitment letter provides that the New Credit Facility would mature five years from the date of closing and outstanding borrowings would bear interest at annual rates ranging from 45 to 110 basis points above LIBOR. The commitment letter also provides that the New Credit Facility would require the Company, on a consolidated basis, to maintain certain debt to capitalization ratios, a minimum interest coverage ratio, and a minimum net worth.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

Certain statements discussed in Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Item 3 (Quantitative and Qualitative Disclosures About Market Risk) and elsewhere in this Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concerning Management's expectations, strategic objectives, business prospects, anticipated economic performance and financial condition and other similar matters involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements discussed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: general economic and business conditions, the cyclical nature of our business, adequacy of insurance coverage, currency exchange fluctuations, changes in foreign political, military and economic conditions, the ongoing need to replace aging vessels, dependence of spill response revenue on the number and size of spills and upon continuing government regulation in this area and our ability to comply with such regulation and other governmental regulation, industry fleet capacity, changes in foreign and domestic oil and gas exploration and production activity, competition, regulatory initiatives, customer preferences, marine-related risks, and various other matters, many of which are beyond the Company's control and other factors as are described at the end of Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of the Company's Form 10-K for the fiscal year ended December 31, 2000. The words "estimate," "project," "intend," "believe," "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made. We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which the forward-looking statement is based.

Offshore Marine Services

The Company provides marine transportation, logistics, and related services largely dedicated to supporting offshore oil and gas exploration and production. Marine transportation services are provided through the operation, domestically and internationally, of offshore support vessels. The Company's vessels deliver cargo and personnel to offshore installations, tow and handle the anchors of drilling rigs and other marine equipment, support offshore construction and maintenance work, and provide standby safety support. The Company's vessels are also used for special projects, such as well stimulation, seismic data gathering, freight hauling, line handling, salvage, and oil spill emergencies. Logistics services include shorebase, marine transport, and other supply chain management services in support of offshore exploration and production operations.

Operating revenues are primarily affected by the number of vessels owned and bareboat and time chartered-in as well as rates per day worked and utilization of the Company's fleet.

Opportunities to buy and sell vessels are actively monitored by the Company to maximize overall fleet utility and flexibility. Expansion has been achieved principally through the purchase of offshore support vessels from its competitors, construction of new vessels, and equity holdings in joint ventures that own offshore support vessels. The Company has also sold many vessels from its fleet, particularly those that were less marketable in the Company's ordinary operations. Since 1997, proceeds from certain vessel sales have been deposited into restricted cash accounts for purposes of acquiring newly constructed U.S.-flag vessels and thereby qualifying the Company for temporary deferral of taxable gains realized from vessel sales. During the first nine months of 2001, the Company continued fleet expansion with the acquisition and construction of 17 mini-supply, 14 supply and towing supply, 11 utility, 3 anchor handling towing supply, and 2 crew vessels. During the nine months ended September 30, 2001, the Company also sold 7 crew, 6 utility, 4 towing supply, and 2 standby safety vessels and removed 3 standby safety vessels from service that are held for sale.

From time to time, the Company bareboat or time charters-in vessels. A bareboat charter is a vessel lease under which the lessee ("charterer") is responsible for all crewing, insurance, and other operating expenses, as well as the payment of bareboat charter hire to the providing entity. A time charter is a lease under which the entity providing the vessel is responsible for all crewing, insurance, and other operating expenses and the charterer only pays a time charter hire fee to the providing entity. Operating revenues for vessels owned and bareboat or time chartered-in are incurred at similar rates; however, operating expenses associated with

vessels bareboat and time chartered-in include charter hire expenses that, in turn, are included in vessel expenses, but exclude depreciation expense.

From time to time, the Company provides management services to other vessel owners. Charter revenues and vessel expenses of such managed vessels are not generally included in the Company's operating results, but the Company does earn a management fee that is reported in operating revenue. The Company also bareboat charters-out vessels. Operating revenues for these vessels are lower than for vessels owned and operated or bareboat chartered-in by the Company, because vessel expenses, normally recovered through charter revenue, are the burden of the charterer. Operating expenses include depreciation expense if the vessels chartered-out are owned. At September 30, 2001, there were 19 vessels bareboat chartered-out, including 7 and 3 vessels operated by certain of the Company's offshore marine joint ventures and environmental service segment, respectively.

The table below sets forth the Company's offshore marine fleet structure at the dates indicated:

Fleet Structure	At September 30,	
	2001	2000
Owned	254 ^(a)	230
Bareboat and Time Chartered-In	14	22
Managed	7	5
Joint Ventures and Pools:		
TMM Joint Venture	21	18
SMIT Joint Venture	14	15
Pelican Joint Venture	7	—
Other Joint Ventures	6	8
SEAVEC Pool	5	5
Avian Fleet Pool	—	4
Overall Fleet	328	307

(a) 2001 excludes three standby safety vessels that were removed from service and are held for sale.

Rates per day worked and utilization of the Company's fleet are a function of demand for and availability of marine vessels, which are closely aligned with the level of exploration and development of offshore areas. The level of exploration and development of offshore areas is affected by both short-term and long-term trends in oil and gas prices which, in turn, are related to the demand for petroleum products and the current availability of oil and gas resources. The table below sets forth rates per day worked and utilization data for the Company during the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Rates Per Day Worked (\$): ^{(1) (2)}				
Supply and Towing Supply	8,200	5,096	7,670	4,923
Anchor Handling Towing Supply	15,095	10,787	13,921	11,161
Crew	3,411	2,687	3,283	2,578
Standby Safety	5,612	5,317	5,386	5,421
Utility and Line Handling	1,976	1,582	1,888	1,602
Mini-Supply ⁽³⁾	3,211	2,023	3,087	2,018
Geophysical, Freight, and Other	5,380	5,481	5,413	5,715
Overall Fleet	5,365	3,819	4,983	3,715
Overall Utilization (%): ⁽¹⁾				
Supply and Towing Supply	91.3	82.0	89.3	69.8
Anchor Handling Towing Supply	84.5	74.7	82.6	69.3
Crew	95.0	93.8	95.8	94.0
Standby Safety	91.4	86.0	87.9	76.0
Utility and Line Handling	58.6	60.4	56.4	56.5
Mini-Supply ⁽³⁾	93.9	94.6	93.9	94.7
Geophysical, Freight, and Other	50.0	57.9	54.6	47.1
Overall Fleet ⁽⁴⁾	83.2	79.8	82.0	74.6

- (1) Rates per day worked is the ratio of total charter revenue to the total number of vessel days worked. Rates per day worked and overall utilization figures exclude owned vessels that are bareboat chartered-out, vessels owned by corporations that participate in pooling arrangements with the Company, joint venture vessels, and managed/operated vessels and include vessels bareboat and time chartered-in by the Company.
- (2) Revenues for certain of the Company's vessels, primarily operating in the North Sea, are earned in foreign currencies, primarily Pounds Sterling, and have been converted to U.S. dollars at the weighted average exchange rate for the periods indicated.
- (3) Effective January 1, 2001, the Company began reporting a new class of vessel denoted Mini-Supply. As a result, seven utility and one supply vessel in the three and nine-month periods ended September 30, 2000 were reclassified as Mini-Supply.
- (4) Excluding the impact of utility vessels stacked in the U.S. Gulf of Mexico, most of which are intended to be sold, the Company's overall fleet utilization was 92.1% and 91.5% in the three and nine-month periods ended September 30, 2001, respectively.

Vessel operating expenses are primarily a function of fleet size and utilization levels. The most significant vessel operating expense items are wages paid to marine personnel, maintenance and repairs, and marine insurance. In addition to variable vessel operating expenses, the offshore marine business segment incurs fixed charges related to the depreciation of property and equipment. Depreciation is a significant operating expense, and the amount related to vessels is the most significant component.

Certain of the Company's revenues and expenses, primarily related to the Company's North Sea operations, are received or paid in foreign currencies. For financial statement reporting purposes, these amounts are translated into U.S. dollars at the weighted average exchange rates during the relevant period. Overall, approximately 40% and 36% of the Company's offshore marine operating revenues were derived from foreign operations (in U.S. dollars or foreign currencies) in the nine-month periods ended September 30, 2001 and 2000, respectively.

The Company's foreign offshore marine operations are subject to various risks inherent in conducting business in foreign nations. These risks include, among others, political instability, potential vessel seizure, nationalization of assets, fluctuating currency values, hard currency shortages, controls of currency exchange, the repatriation of income or capital, import-export quotas, and other forms of public and governmental regulation, all of which are beyond the control of the Company. Although, historically, the Company's operations have not been affected materially by such conditions or events, it is not possible to predict whether any such conditions or events might develop in the future. The occurrence of any one or more of such conditions or events could have a material adverse effect on the Company's financial condition and results of operations.

Regulatory drydockings, which are a substantial component of marine maintenance and repair costs, are expensed when incurred. Under applicable maritime regulations, vessels must be drydocked twice in a five-year period for inspection and routine maintenance and repair. The Company follows an asset management strategy pursuant to which it defers required drydocking of selected marine vessels and voluntarily removes these marine vessels from operation during periods of weak market conditions and low rates per day worked. Should the Company undertake a large number of drydockings in a particular fiscal quarter or nine-month period or put through survey a disproportionate number of older vessels, which typically have higher drydocking costs, comparative results may be affected. For the nine-month periods ended September 30, 2001 and 2000, drydocking costs totaled \$8.7 million and \$5.9 million, respectively. During those same periods, the Company completed the drydocking of 78 and 61 marine vessels, respectively. At September 30, 2001, the Company had 26 vessels out of service, including 22 U.S. based utility vessels that require drydocking prior to re-entering operations.

Operating results are also affected by the Company's participation in various joint ventures. The Company has formed or acquired interests in offshore marine joint ventures and entered into pooling arrangements with various third parties to enter new markets, enhance its marketing capabilities, and facilitate operations in certain foreign markets. These arrangements allow the Company to expand its fleet while diversifying the risks and reducing the capital outlays associated with independent fleet expansion. The Company also participates in a logistics joint venture whose mission has been to provide shorebase, marine transport, and other supply chain management services in support of offshore exploration and production operations principally in the U.S. Gulf of Mexico.

Exploration and drilling activities, which affect the demand for vessels, are influenced by a number of factors, including the current and anticipated prices of oil and natural gas, the expenditures by oil and gas companies for exploration and development, and the availability of drilling rigs. In addition, demand for drilling services remains dependent on a variety of political and economic factors beyond the Company's control, including worldwide demand for oil and natural gas, the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and pricing, the level of production of non-OPEC countries, and the policies of various governments regarding exploration and development of their oil and natural gas reserves and general economic conditions.

U.S. Gulf of Mexico rig activity has declined in recent months due, apparently, to lower natural gas prices and current natural gas inventories that are reported to be near capacity. Utilization of jack-up rigs working on the U.S. Gulf of Mexico shelf was particularly hard hit, although work for deepwater rigs remained steady. Drilling activities in the U.S. Gulf of Mexico may also be adversely affected by the present U.S. economic slowdown, which may be further exacerbated by the September 11, 2001 terrorist attacks in New York City and Washington, D.C. Recent reports have indicated that exploration and production companies have spent most of their capital budgets during the first half of 2001 when commodity prices were high, and there is little prospect for a strong rig market in the near term.

Utilization of the Company's domestic offshore marine fleet is significantly affected by natural gas exploration and production activities in the U.S. Gulf of Mexico. It is difficult to predict when, and to what extent, natural gas prices and the U.S. economy will improve or deteriorate further. Weak commodity prices, economic problems in countries outside the United States, and other factors beyond the Company's control could further curtail exploration and production spending by oil and gas companies. Should recent trends and levels of activity continue, the Company's results of operations and cash flows will be adversely affected, and if such conditions deteriorated severely and if they then persisted for an extended period of time, they would have an adverse effect on the Company's financial position.

The Company's fleet is currently operating at fairly high rates and levels of utilization, although rates and utilization levels have declined for some classes of vessels working in the U.S. Gulf of Mexico. The Company believes that the level of drilling activity in the U.S. Gulf of Mexico will depend on the demand for natural gas in 2002, which, in turn, will depend on weather, the economy and the rate of depletion being experienced for existing wells, both offshore and on land. The price of oil could impact the level of drilling activity in other markets but, at present, drilling activity in international markets remains strong.

Environmental Services

The Company's environmental service business provides contractual oil spill response and other related training and consulting services. The Company's clients include tank vessel owner/operators, refiners and terminal operators, exploration and production facility operators, and pipeline operators. The Company charges a retainer fee to its customers for ensuring by contract the availability (at predetermined rates) of its response services and equipment. Retainer services include employing a staff to supervise response to an oil spill emergency and maintaining specialized equipment, including marine equipment, in a ready state for emergency and spill response as contemplated by response plans filed by the Company's customers in accordance with the Oil Pollution Act of 1990, as amended, and various state regulations. The Company maintains relationships with numerous environmental sub-contractors to assist with response operations, equipment maintenance, and provide trained personnel for deploying equipment in a spill response.

Pursuant to retainer agreements entered into with the Company, certain vessel owners pay in advance to the Company an annual retainer fee based upon the number and size of vessels in each such owner's fleet and in some circumstances pay the Company additional fees based upon the level of each vessel owner's voyage activity in the U.S. The Company recognizes the greater of revenue earned by voyage activity or the portion of the retainer earned in each accounting period. Certain vessel and facility owners pay a fixed fee or a fee based on volume of petroleum product transported for the Company's retainer services and such fee is recognized ratably throughout the year. The Company's retainer agreements with vessel owners generally range from one to three years while retainer arrangements with facility owners are as long as ten years.

Spill response revenue is dependent on the number of spill responses within a given fiscal period and the magnitude of each. Consequently, spill response revenue can vary greatly between comparable periods and the revenue from any one period is not indicative of a trend or of anticipated results in future periods. Costs of oil spill response activities relate primarily to (i) payments to subcontractors for labor, equipment, and materials, (ii) direct charges to the Company for equipment and materials, (iii) participation interests of others in gross profits from oil spill response, and (iv) training and exercises related to spill response preparedness.

The Company charges consulting fees to customers for customized training programs, its planning of and participation in customer oil spill response drill programs and response exercises, and other special projects.

The principal components of the Company's operating costs are salaries and related benefits for operating personnel, payments to sub-contractors, equipment maintenance, and depreciation. These expenses are primarily a function of regulatory requirements and the level of retainer business.

In 1996, National Response Corporation ("NRC") expanded its coverage area to include the West Coast of the United States through Clean Pacific Alliance ("CPA"), a joint venture with Crowley Marine Services. On November 30, 2000, NRC purchased Crowley Marine Service's 50% interest in CPA and began a termination and winding up process. As of that date, all of CPA's obligations under existing contracts were assumed by NRC. CPA will be dissolved upon completion of the termination and winding up of its affairs.

Investment in Drilling Services Business

The Company consolidated the reporting of financial information of drill rig operator Chiles Offshore LLC, due to the Company's majority ownership, from its inception in 1997 until its initial public offering of common stock (the "Chiles IPO") on September 22, 2000. On that date, Chiles Offshore LLC converted into a corporation,

was renamed Chiles Offshore Inc. ("Chiles Offshore"), and completed the Chiles IPO. As a consequence of the Chiles IPO, the Company's ownership interest in Chiles Offshore was reduced from 55.4% to 27.3%. Because its ownership interest declined below 50%, the Company no longer consolidates Chiles Offshore and its consolidated subsidiaries' (together, "Chiles") financial condition, results of operations, and cash flows and, as of September 22, 2000, began accounting for its interest in Chiles using the equity method. At September 30, 2001, the Company's ownership interest in Chiles Offshore was 23.8%.

Chiles operated as a development stage company from its inception and until July 1999, devoting substantially all its efforts to constructing rigs, raising capital, and securing contracts for its rigs. In 1997, Chiles commenced construction of two ultra-premium jackup drilling rigs, the *Chiles Columbus* and the *Chiles Magellan*, which were delivered to Chiles in May 1999 and October 1999, respectively. From its delivery and final commissioning in April 2000, Chiles bareboat chartered-in and operated the jackup drilling rig, *Tonala*, until acquiring it in July 2001. The consideration paid for the rig consisted of 2,679,723 shares of Chiles' common stock and the assumption of \$58.8 million of aggregate principal amount of debt. Following the acquisition, the *Tonala* was renamed *Chiles Coronado*. In September 2001, the *Chiles Coronado* commenced operations offshore Trinidad pursuant to a three-year contract with a major integrated oil and gas operator.

The number of rigs Chiles operates is a function of rigs delivered to service through its capital construction program and rigs placed in operation under charter. In the U.S. Gulf of Mexico, Chiles typically operates its rigs on well-to-well contracts that last 30 to 90 days; whereas, in international operations, Chiles has entered into drilling contracts for multi-year periods. Chiles has two rigs under construction, which are expected to be completed during the second and third quarters of 2002. Chiles has contracted to operate the rig scheduled to be completed during the second quarter of 2002 for a major independent oil and gas operator for a term that will last for a minimum of 600 days.

Chiles derives its revenue primarily from drilling wells for oil and gas operators pursuant to drilling contracts. These drilling contracts typically provide for base day rates, which may be subject to adjustments based on performance incentives. Fees and expenses for transporting Chiles' rigs between sites are included in revenues and expenses. The effective average day rate for Chiles' rigs was \$74,762 and \$58,754 for the three-month periods ended September 30, 2001 and 2000, respectively, and \$71,597 and \$54,519 for the nine-month periods ended September 30, 2001 and 2000, respectively, and utilization was 100% in all reported periods. In calculating the effective average day rates, Chiles divides revenues earned by its rigs during the period by the total number of days in the period. In addition, Chiles' effective average day rates include bonuses, which may be triggered by achieving performance and safety targets in some of Chiles' contracts and mobilization revenue.

Chiles' rig operating expenses primarily consist of crew, insurance, and repair and maintenance costs. General and administrative expenses primarily consist of management, administration, marketing, finance, and legal expenses.

Other Investments

In 1998, the Company acquired an interest in the predecessor of Globe Wireless LLC ("Globe Wireless") and now owns approximately 38% of its voting units. Globe Wireless is a provider of advanced marine telecommunication services using satellite and high frequency radio technologies. It owns and operates a worldwide network of high frequency radio stations to offer email, data transfer, and telex services to ships at a much lower cost than competing satellite services. The Company believes that Globe Wireless offers the only such service combining radio, satellite, and internet communications to the maritime community.

In the fourth quarter of 2000, the Company acquired 23 newly constructed inland river hopper barges ("barges") and SCF Corporation, a company that owned and operated barges. In 2001, the Company acquired an additional 52 newly constructed barges at an approximate cost of \$12.9 million. At September 30, 2001, the Company owned 118 barges and a 50% interest in a partnership that owned 11 barges and managed 209 barges for third parties.

In addition, the Company, from time to time, makes investments in other related businesses.

Results of Operations

The following table sets forth operating revenue and operating profit by the Company's various business segments for the periods indicated, in thousands of dollars.

	Offshore Marine	Environmental	Drilling	Other and Corporate	Total
For the Three Months Ended September 30, 2001:					
Operating Revenues –					
External Customers	\$ 110,785	\$ 5,916	\$ –	\$ 2,657 ^(a)	\$ 119,358
Intersegment	191	–	–	(191)	–
Total	<u>\$ 110,976</u>	<u>\$ 5,916</u>	<u>\$ –</u>	<u>\$ 2,466</u>	<u>\$ 119,358</u>
Operating Profit	\$ 31,579	\$ 78	\$ –	\$ 732	\$ 32,389
Gains from Equipment Sales and Retirements, net	4,141	4	–	–	4,145
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	833	59	1,151	(1,391)	652
Minority Interest in Subsidiaries	–	–	–	(92)	(92)
Net Interest Expense	–	–	–	(2,775)	(2,775)
Derivative Income, net	–	–	–	1,997	1,997
Gains from Sale of Marketable Securities, net	–	–	–	1,184	1,184
Corporate Expenses	–	–	–	(2,549)	(2,549)
Income Taxes	–	–	–	(12,445)	(12,445)
Income (Loss) before Extraordinary Item	<u>\$ 36,553</u>	<u>\$ 141</u>	<u>\$ 1,151</u>	<u>\$ (15,339)</u>	<u>\$ 22,506</u>
For the Three Months Ended September 30, 2000:					
Operating Revenues –					
External Customers	\$ 72,320	\$ 6,200	\$ 14,724	\$ 308 ^(a)	\$ 93,552
Intersegment	76	–	–	(76)	–
Total	<u>\$ 72,396</u>	<u>\$ 6,200</u>	<u>\$ 14,724</u>	<u>\$ 232</u>	<u>\$ 93,552</u>
Operating Profit	\$ 6,721	\$ 731	\$ 5,885	\$ 73	\$ 13,410
Gains from Equipment Sales and Retirements, net	1,821	3	–	–	1,824
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	(2,074)	135	74	(1,166)	(3,031)
Minority Interest in Subsidiaries	–	–	–	(2,093)	(2,093)
Net Interest Expense	–	–	–	(2,519)	(2,519)
Derivative Income, net	–	–	–	6,696	6,696
Gains from Sale of Marketable Securities, net	–	–	–	2,057	2,057
Gain Upon Sale of Shares of Chiles	–	–	–	4,023	4,023
Corporate Expenses	–	–	–	(1,370)	(1,370)
Income Taxes	–	–	–	(7,506)	(7,506)
Income (Loss) before Extraordinary Item	<u>\$ 6,468</u>	<u>\$ 869</u>	<u>\$ 5,959</u>	<u>\$ (1,805)</u>	<u>\$ 11,491</u>
For the Nine Months Ended September 30, 2001:					
Operating Revenues –					
External Customers	\$ 298,128	\$ 20,177	\$ –	\$ 6,681 ^(a)	\$ 324,986
Intersegment	631	–	–	(631)	–
Total	<u>\$ 298,759</u>	<u>\$ 20,177</u>	<u>\$ –</u>	<u>\$ 6,050</u>	<u>\$ 324,986</u>
Operating Profit	\$ 72,874	\$ 1,648	\$ –	\$ 1,438	\$ 75,960
Gains (Losses) from Equipment Sales and Retirements, net	8,143	6	–	(157)	7,992
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	4,051	62	3,988	(3,758)	4,343
Gain from Sale of Interest in a 50% or Less Owned Company	100	–	–	–	100
Minority Interest in Subsidiaries	–	–	–	(256)	(256)
Net Interest Expense	–	–	–	(5,883)	(5,883)
Derivative Income, net	–	–	–	1,962	1,962
Gains from Sale of Marketable Securities, net	–	–	–	3,583	3,583
Corporate Expenses	–	–	–	(7,251)	(7,251)
Income Taxes	–	–	–	(27,632)	(27,632)
Income (Loss) before Extraordinary Item	<u>\$ 85,168</u>	<u>\$ 1,716</u>	<u>\$ 3,988</u>	<u>\$ (37,954)</u>	<u>\$ 52,918</u>
For the Nine Months Ended September 30, 2000:					
Operating Revenues –					
External Customers	\$ 196,828	\$ 17,125	\$ 37,379	\$ 308 ^(a)	\$ 251,640
Intersegment	287	–	–	(287)	–
Total	<u>\$ 197,115</u>	<u>\$ 17,125</u>	<u>\$ 37,379</u>	<u>\$ 21</u>	<u>\$ 251,640</u>
Operating Profit	\$ 19,292	\$ 1,573	\$ 14,615	\$ 70	\$ 35,550
Gains from Equipment Sales and Retirements, net	6,923	9	–	–	6,932
Equity in Earnings (Losses) of 50% or Less Owned Companies ...	(703)	405	74	(3,982)	(4,206)
Minority Interest in Subsidiaries	–	–	–	(3,303)	(3,303)
Net Interest Expense	–	–	–	(8,752)	(8,752)
Derivative Income, net	–	–	–	5,617	5,617
Gains from Sale of Marketable Securities, net	–	–	–	4,408	4,408
Gain Upon Sale of Shares of Chiles	–	–	–	4,023	4,023
Corporate Expenses	–	–	–	(4,124)	(4,124)
Income Taxes	–	–	–	(13,134)	(13,134)
Income (Loss) before Extraordinary Item	<u>\$ 25,512</u>	<u>\$ 1,987</u>	<u>\$ 14,689</u>	<u>\$ (19,177)</u>	<u>\$ 23,011</u>

(a) Operating revenues are attributable to the Company's inland barge business that commenced operation in the third quarter of 2000.

Offshore Marine Services

Operating Revenues. The Company's offshore marine service segment's operating revenues increased \$38.6 million, or 53%, and \$101.6 million, or 52%, in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000. Operating revenues rose due primarily to the entry into service of vessels acquired by and constructed for the Company and higher rates per day worked and fleet utilization. These increases were partially offset by a decline in operating revenues due to vessel dispositions.

The acquisition and construction of 17 standby safety, 17 mini-supply, 17 supply and towing supply, 11 utility, 4 anchor handling towing supply, and 4 crew vessels contributed \$24.9 million and \$60.5 million toward the increase in operating revenues between comparable three and nine-month periods, respectively.

Significant increases in rates per day worked resulted in an approximate \$14.9 million and \$36.1 million increase in operating revenues between comparable three and nine-month periods, respectively. Rates per day worked for all classes of the Company's worldwide fleet rose except for its project vessels whose rates per day worked remained relatively unchanged.

Improved utilization also resulted in higher operating revenues of approximately \$4.1 million and \$15.5 million between comparable three and nine-month periods, respectively. Demand rose for the Company's worldwide fleet of supply and towing supply, anchor handling towing supply, and standby safety vessels.

The sale and charter-in termination of 15 supply and towing supply, 5 standby safety, 4 crew, 3 anchor handling towing supply, and 3 utility vessels resulted in a decline in operating revenues of approximately \$5.2 million and \$10.9 million between comparable three and nine-month periods, respectively.

Operating Profit. The Company's offshore marine business segment's operating profit increased \$24.9 million, or 370%, and \$53.6 million, or 278%, in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000 due primarily to those factors affecting operating revenues outlined above. The increases in operating profit were offset by higher operating expenses that resulted primarily from (i) an increase in crew wages paid to seamen working domestically in response to competition for qualified personnel, (ii) the sale and leaseback of several vessels, (iii) a greater number of vessels undergoing drydockings, and (iv) higher costs associated with repairs and maintenance of main engines and deck and winch equipment.

Gains from Equipment Sales or Retirements, net. Net gains from equipment sales or retirements increased \$2.3 million and \$1.2 million in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000. During the nine-month period ended September 30, 2001, seven crew, six utility, four towing supply, and two standby safety vessels were sold. During the nine-month period ended September 30, 2000, the vessels sold included eight utility, three towing supply, two supply, and one crew vessel.

Equity in Earnings (Losses) of 50% or Less Owned Companies. Equity earnings increased \$2.9 million and \$4.8 million in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000. Equity earnings rose due primarily to an increase in profits earned by the Company's Mexican joint venture and higher profits (including a gain from the sale of a vessel) earned by certain joint ventures in which the Company acquired an interest pursuant to a 1996 transaction with SMIT Internationale N.V. ("SMIT"). Results in 2001 also rose due to the commencement of operations of a joint venture in Southeast Asia.

Environmental Services

Operating Revenues. The environmental business segment's operating revenues decreased \$0.3 million, or 5%, in the three-month period ended September 30, 2001 compared to the three-month period ended September 30, 2000; whereas, revenues increased \$3.1 million, or 18%, in the nine-month period ended September 30, 2001 compared to the nine-month period ended September 30, 2000. The decrease in the comparable three-month periods was due primarily to the decline in the severity of oil spills managed by the Company. The nine month results improved due primarily to the addition of a major West Coast terminal operator client and an increase in retainer revenues.

Operating Profit. The environmental business segment's operating profit decreased \$0.7 million, or 89%, in the three-month period ended September 30, 2001 compared to the three-month period ended September 30, 2000; whereas, operating profit increased \$0.1 million, or 5%, in the nine-month period ended September 30,

2001 compared to the nine-month period ended September 30, 2000 due primarily to the factors affecting operating revenues as outlined above. In the comparable three-month period, operating profits also declined as higher drydocking costs were expended to repair spill response vessels.

Equity in Earnings (Losses) of 50% or Less Owned Companies. Equity earnings decreased \$0.1 million and \$0.3 million in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000. On November 30, 2000, NRC purchased Crowley Marine Service's 50% interest in CPA and began a termination and winding up process. As of that date, all of CPA's obligations under existing contracts were assumed by NRC. CPA will be dissolved upon completion of the termination and winding up of its affairs.

Drilling Services

As a consequence of the Chiles IPO, the Company's ownership interest in Chiles Offshore was reduced from 55.4% to 27.3% and consequently, because its ownership interest declined below 50%, the Company no longer consolidates Chiles' financial condition, results of operations, and cash flows. As of September 22, 2000, the Company began accounting for its interest in Chiles using the equity method.

Other

Equity in Losses of 50% or Less Owned Companies. Equity losses increased \$0.2 million and decreased \$0.2 million in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000. Nine-month results improved due to a decline in the operating losses of the Company's telecommunication services joint venture and a gain realized from the sale of a Handymax Dry-Bulk ship by the Company's bulk carrier joint venture. In the second quarter of 2001, the Company began recording its proportionate share of net losses of Strategic Software Limited, an equity investee whose principal activity is to develop and sell software to the ship brokerage and shipping industry.

Net Interest Expense. Net interest expense increased \$0.3 million and decreased \$2.9 million in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000. Declines in net interest were due primarily to a decline in outstanding indebtedness following the deconsolidation of Chiles Offshore in September 2000 and SEACOR's redemption of \$135.3 million principal amount of the 5 3/8% Convertible Subordinated Notes Due 2006 (the "5 3/8% Notes") during the first nine months of 2001. See "Liquidity and Capital Resources — Credit Facilities — 5 3/8% Notes" for additional discussion. These savings were partially offset by the effect of additional indebtedness and lower cash balances available for investments resulting primarily from the acquisition of offshore marine vessels.

Derivative Income (Losses), net. Net gains from derivative transactions decreased \$4.7 million and \$3.7 million in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000 as gains realized from the termination of certain swap agreements in 2000 did not recur. Net gains from commodity price hedging arrangements on various natural gas and crude oil positions and foreign currency forward exchange contracts in 2001 partially offset the decline.

Gains from Sale of Marketable Securities, net. Net gains from the sale of marketable securities decreased \$0.9 million and \$0.8 million in the three and nine-month periods ended September 30, 2001, respectively, compared to the three and nine-month periods ended September 30, 2000. In all periods presented, the Company realized net gains primarily from the sale of equity securities.

Corporate Expenses. In the three and nine-month periods ended September 30, 2001 compared to the three and nine-month periods ended September 30, 2000, corporate expenses increased \$1.2 million and \$3.1 million, respectively. 2001 included underwriting fees and legal and professional expenses relating to unused availability under a standby purchase agreement with Credit Suisse First Boston ("CSFB") in connection with the redemption of certain of the Company's 5 3/8% Notes and higher costs resulting from an increase in the number of filings with the Securities and Exchange Commission. See "Liquidity and Capital Resources — Credit Facilities — 5 3/8% Notes" for additional discussion. Corporate expenses also increased between comparable periods due to an increase in wage and related benefit costs.

Liquidity and Capital Resources

General

The Company's ongoing liquidity requirements arise primarily from its need to service debt, fund working capital, acquire, construct, or improve equipment and make other investments. Management believes that cash flow from operations will provide sufficient working capital to fund the Company's operating needs. The Company may, from time to time, issue shares of its common stock, preferred stock, debt or a combination thereof, or sell vessels to finance the acquisition of equipment and businesses or make improvements to existing equipment.

The Company's cash flow levels and operating revenues are determined primarily by the size of the Company's offshore marine fleet, rates per day worked and overall utilization of the Company's offshore marine fleet, and retainer, spill response, and consulting activities of the Company's environmental service business. The Company's offshore marine business is directly affected by the volatility of oil and gas prices, the level of offshore production and exploration activity, and other factors beyond the Company's control.

Cash and Marketable Securities

Since December 31, 2000, the Company's cash and investments in marketable securities decreased by \$105.0 million. At September 30, 2001, cash and marketable securities totaled \$242.2 million, including \$130.8 million of unrestricted cash and cash equivalents, \$56.7 million of marketable securities, and \$54.7 million of restricted cash. Restricted cash at September 30, 2001 is intended for use in defraying costs to construct U.S.-flag offshore marine vessels for the Company. At September 30, 2001, the Company had funded \$34.0 million in offshore marine vessel construction costs from unrestricted cash balances, and subject to prior written approval from the U.S. Maritime Administration, the Company expects such amounts to be reimbursed from its restricted cash accounts.

Cash Generation and Deployment

Operating Activities. Cash flow provided from operating activities during the nine-month period ended September 30, 2001 totaled \$75.8 million and increased 80.8% from the comparable period in 2000 due primarily to an increase in the size, rates per day worked, and utilization of the Company's offshore marine fleet.

Investing and Financing Activities. During the nine-month period ended September 30, 2001, the Company generated \$164.8 million from investing and financing activities. Available-for-sale securities were sold for \$94.1 million. The Company borrowed \$25.0 million under its revolving credit facility with Den norske Bank ASA ("DnB") (the "DnB Credit Facility"). See "Credit Facilities — DnB Credit Facility" for discussion. Cash proceeds from the sale of 19 offshore support vessels totaled \$20.6 million. Pursuant to a standby purchase agreement between CSFB and SEACOR, CSFB purchased 216,170 shares of SEACOR's common stock for \$10.0 million. See "Credit Facilities — 5 3/8% Notes" for discussion. Additional cash was generated primarily from the sale of the Company's investment in a 50% or less owned offshore marine service segment subsidiary, principal payments received on notes due from 50% or less owned subsidiaries, dividends received from 50% or less owned subsidiaries, and settlements of certain derivative transactions.

During the nine-month period ended September 30, 2001, the Company used \$331.8 million in its investing and financing activities. To acquire corporations that own offshore support vessels, the Company paid \$98.8 million, net of cash acquired. Capital expenditures for property and equipment, primarily related to the acquisition and construction of offshore marine vessels and barges, totaled \$83.1 million. Marketable securities were acquired for \$64.1 million. The Company paid \$38.0 million for the redemption of \$36.1 million principal amount of the 5 3/8% Notes. The company repaid \$25.0 million borrowed under the DnB Credit Facility. Restricted cash balances rose by \$13.9 million due to deposits into vessel joint depository construction reserve fund accounts generated from the sale of offshore support vessels exceeding reimbursements to the Company. Investments in and advances to 50% or less owned companies, primarily for the purchase of vessels, totaled \$5.1 million. Additional cash was used primarily for scheduled repayments of outstanding indebtedness.

Stock and Debt Repurchase Program

Pursuant to a stock and debt repurchase program, the Company may repurchase its common stock, 5 3/8% Notes, and 7.2% Senior Notes Due 2009 (the "7.2% Notes") (collectively, the "SEACOR Securities"). Repurchases of SEACOR Securities will be effected from time to time through open market purchases,

privately negotiated transactions, or otherwise, depending on market conditions. At September 30, 2001, the Company had approximately \$36.7 million of available authority for the repurchase of SEACOR Securities.

Capital Structure

At September 30, 2001, the Company's capital structure was comprised of \$344.8 million in long-term debt, including the current portion, and \$727.2 million in stockholders' equity. Since year end, long-term debt declined due primarily to the conversion of \$99.2 million principal amount of the 5 3/8% Notes in exchange for 2,285,878 shares of SEACOR's common stock and redemption of \$36.1 million principal amount of the 5 3/8% Notes (see "Credit Facilities — 5 3/8% Notes" for discussion) for approximately \$38.0 million and the Company's regularly scheduled repayment of certain outstanding indebtedness. These decreases were partially offset by increases in outstanding indebtedness of \$83.1 million in connection with the acquisition of Stirling Shipping and \$13.6 million in connection with the acquisition of two offshore support vessels. Stockholders' equity rose since year end due primarily to the conversion of certain of the 5 3/8% Notes into SEACOR's common stock, an increase in retained earnings from net income, the issuances of SEACOR's common stock from treasury in connection with the acquisitions of two corporations owning offshore support vessels and a decrease in other comprehensive losses that resulted primarily from gains from foreign currency translation adjustments. These increases were partially offset by the amortization of restricted stock.

Capital Expenditures

As of September 30, 2001, the Company was committed to the construction of 12 offshore support vessels for an approximate aggregate cost of \$88.1 million of which \$38.7 million has been expended. Following quarter-end, the Company committed to the construction of 50 barges for an approximate aggregate cost of \$12.0 million. These vessels and barges are expected to enter service within the next twelve months.

Credit Facilities

DnB Credit Facility. Under the terms of the DnB Credit Facility with Den norske Bank ASA that was established in November 1998, the Company could borrow up to \$100.0 million aggregate principal amount (the "Maximum Committed Amount") of unsecured reducing revolving credit loans maturing on November 17, 2004. The Maximum Committed Amount automatically decreases semi-annually by 4.54% beginning November 17, 1999, with the balance payable at maturity. Outstanding borrowings will bear interest at annual rates ranging from 45 to 110 basis points (the "Margin") above LIBOR. The Margin is determined quarterly and varies based upon the percentage the Company's funded debt bears to earnings before interest, taxes, depreciation, and amortization ("EBITDA") and/or the credit rating maintained by Moody's and Standard & Poor's, if any. The DnB Credit Facility requires the Company, on a consolidated basis, to maintain a minimum ratio of vessels' values to Maximum Committed Amount, as defined, a minimum cash and cash equivalent level, a specified interest coverage ratio, specified debt to capitalization ratios, and a minimum net worth. The DnB Credit Facility limits the amount of secured indebtedness that the Company and its subsidiaries may incur, provides for a negative pledge with respect to certain activities of the Company's vessel owning/operating subsidiaries, and restricts the payment of dividends. In May 2001, the Company borrowed \$25.0 million under the DnB Credit facility to fund a portion of the acquisition of Stirling Shipping and then subsequently repaid it in August 2001. On behalf of the Company, DnB issued a letter of credit, totaling £15.3 million, which represents a guarantee on the loan notes issued by the Company in connection with the acquisition of Stirling Shipping. At September 30, 2001, the outstanding letter of credit totaled \$21.9 million and the amount available for future borrowings under the DnB Credit Facility totaled \$59.9 million.

In October 2001, the Company received a binding commitment letter from a group of banks which sets forth the preliminary terms for a five year multi-currency senior unsecured revolving credit facility of \$200.0 million (the "New Credit Facility"). The New Credit Facility will replace the Company's existing unsecured reducing revolving credit facility with DnB. The Company intends to use the New Credit Facility to fund general corporate purposes. The Company has agreed to assist the bank group in syndicating up to \$85.0 million to other banks. The New Credit Facility is expected to close during the fourth quarter of 2001.

Subject to definitive documentation, the commitment letter provides that the New Credit Facility would mature five years from the date of closing and outstanding borrowings would bear interest at annual rates ranging from 45 to 110 basis points above LIBOR. The commitment letter also provides that the New Credit Facility would require the Company, on a consolidated basis, to maintain certain debt to capitalization ratios, a minimum interest coverage ratio, and a minimum net worth.

5.467% Notes. Pursuant to a February 1998 letter agreement between the Company and SMIT, the Company agreed to prepay certain contingent obligations for additional purchase consideration that would otherwise have been payable to SMIT in 1999 pursuant to a certain Asset Purchase Agreement dated December 19, 1996, by and among the Company and SMIT (the "SMIT Transaction"). The prepayment included the issuance, effective January 1, 1999, of five-year subordinated promissory notes in the aggregate principal amount of \$23.2 million, which notes will bear interest at 5.467% per annum payable quarterly in arrears.

7.2% Notes. At September 30, 2001, the Company had outstanding \$147.5 million aggregate principal amount of its 7.2% Notes. Interest on the 7.2% Notes is payable semi-annually on March 15 and September 15 of each year commencing March 15, 1998. The 7.2% Notes may be redeemed at any time at the option of the Company, in whole or from time to time in part, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption plus a Make-Whole Premium, if any, relating to the then prevailing Treasury Yield and the remaining life of the 7.2% Notes. The 7.2% Notes were issued under an indenture that contains covenants including, among others, limitations on liens and sale and leasebacks of certain Principal Properties, as defined therein, and certain restrictions on the Company consolidating with or merging into any other Person.

5 3/8% Notes. At September 30, 2001, the Company had outstanding \$46.3 million aggregate principal amount of its 5 3/8% Notes that were issued pursuant to a private placement and the SMIT Transaction in 1996. The 5 3/8% Notes are convertible, in whole or part, at the option of the holder at any time prior to the close of business on the business day next preceding November 15, 2006, unless previously converted into shares of common stock at a conversion price of \$44.00 per share (equivalent to a conversion rate of 22.7272 shares of common stock per \$1,000 principal amount of the 5 3/8% Notes), subject to adjustment in certain circumstances. The 5 3/8% Notes are redeemable at the Company's option at any time on or after November 24, 1999 at the redemption prices specified therein, together with accrued and unpaid interest to the repurchase date. The 5 3/8% Notes are general unsecured obligations of the Company, subordinated in right of payment to all senior indebtedness of the Company and effectively subordinated in right of payment to all indebtedness and other obligations and liabilities and any preferred stock of the Company's subsidiaries. Also, pursuant to the SMIT Transaction, the Company entered into certain lease purchase agreements which obligate the Company to purchase two vessels from SMIT with cash and \$6.75 million principal amount of the 5 3/8% Notes in December 2001.

During the nine-month period ended September 30, 2001, SEACOR called for redemption \$100.0 million of the \$181.6 million aggregate principal amount outstanding of its 5 3/8% Notes. The call, together with certain privately negotiated transactions, resulted in the conversion of \$99.2 million principal amount of the 5 3/8% Notes into 2,285,878 shares of SEACOR's common stock and redemption of \$36.1 million principal amount of the 5 3/8% Notes for approximately \$38.0 million.

Pursuant to an amended and restated standby purchase agreement between CSFB and SEACOR, CSFB was obligated, subject to several conditions, to purchase from SEACOR, at a purchase price of \$46.26 per share, the number of shares of SEACOR's common stock necessary to provide SEACOR with the proceeds to pay the aggregate total redemption price of up to \$100.0 million face amount of the 5 3/8% Notes that SEACOR redeemed. In the second quarter, CSFB purchased 216,170 shares of SEACOR's common stock to provide SEACOR with proceeds to redeem \$10.0 million principal amount of the 5 3/8% Notes that were called but not converted. Related underwriting and legal and professional fees expensed in the nine-month period ended September 30, 2001 totaled \$0.6 million.

SEACOR also entered into an equity forward transaction with Credit Suisse First Boston International ("CSFBI"), an affiliate of CSFB, with respect to shares of SEACOR's common stock that CSFB purchased from SEACOR under the standby purchase agreement. The equity forward transaction provides that at maturity, which will occur twelve months following this purchase by CSFB of shares of SEACOR's common stock, SEACOR will elect, as described below, to either purchase the shares covered by the equity forward transaction from CSFBI or cash settle the transaction. If SEACOR elects to purchase the shares from CSFBI, it will pay a purchase price equal to \$46.26 (the purchase price under the standby purchase agreement) plus interest calculated at LIBOR plus 115 basis points, from the date that CSFB purchased those shares from SEACOR to the date that SEACOR purchases those shares from CSFBI. If SEACOR elects to cash settle the transaction, then if the value of the shares at maturity (determined on the basis of the net proceeds that CSFBI is able to receive upon the sale of those shares in the open market) exceeds the purchase price described above, then CSFBI will pay to SEACOR the amount of such excess in cash at maturity. If the purchase price exceeds the value of the shares at maturity, then SEACOR will pay to CSFBI the amount of such excess in cash at maturity. SEACOR has the right to accelerate the maturity of the equity forward transaction in whole or

in part at any time upon prior written notice to CSFBI. The equity forward transaction also contains customary events of default and termination events following which either one or both parties would have the right to terminate the transaction and make net cash payments based on the net value of the transaction at the time of termination. At September 30, 2001, the market value of SEACOR's common stock issued in the equity forward transaction was \$2.3 million less than the price at which SEACOR could purchase those same shares from CSFBI.

Recent Accounting Pronouncements

Effective January 1, 2001, the Company adopted Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities", as amended. The Statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair market value. SFAS 133 requires that changes in the derivative's fair market value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The cumulative effect of adopting SFAS 133 resulted in other comprehensive income of \$0.1 million.

The Company has foreign currency exchange risks primarily related to its offshore marine service vessel operations that are conducted from ports located in the United Kingdom, where its functional currency is Pounds Sterling. To protect the U.S. dollar value of certain Pounds Sterling denominated net assets of the Company from the effects of volatility in foreign currency exchange rates that might occur prior to their conversion to U.S. dollars, the Company has entered into forward exchange contracts. The Company considers these forward exchange contracts as economic hedges of its net investment in the United Kingdom and resulting gains or losses from those transactions are charged to Accumulated Other Comprehensive Income in Stockholders' Equity. During the nine months ended September 30, 2001, the Company settled several Pounds Sterling forward exchange contracts, which resulted in a realized gain of \$0.1 million. At September 30, 2001, the Company had no outstanding Pounds Sterling forward exchange contracts for which hedge accounting criteria were met.

In July 2001, the Financial Accounting Standards Board approved two new accounting standards related to the accounting for business combinations and goodwill and other intangible assets. The standards, which are numbered SFAS No. 141 and 142, among other requirements, (i) prohibit the use of the pooling-of-interests method of accounting for business combinations, (ii) require that goodwill not be amortized in any circumstance, and (iii) require that goodwill be tested for impairment annually or when events or circumstances occur between annual tests indicating that goodwill for a reporting unit might be impaired. The standards will establish a new method for testing goodwill for impairment based on a fair value concept. Management's current policy is to periodically evaluate the amortization periods for goodwill to determine if later events or circumstances warrant revised estimates of useful lives. It is also management's policy to review goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. As of and subsequent to September 30, 2001, there have been no events or changes in circumstances surrounding purchased businesses to indicate that the carrying value of the allocated goodwill may not be recoverable. The standards will take effect for the fiscal year beginning after December 31, 2001, which would be the Company's fiscal year beginning January 1, 2002. Upon adoption, the Company will be required to cease amortization of its remaining goodwill balance and will be required to perform an impairment test based on a fair value concept of its existing goodwill. The Company has not completed an analysis of the potential impact upon adoption of the impairment test of goodwill, however, amortization of existing goodwill which was approximately \$0.9 million and \$2.3 million for the three and nine-month periods ended September 30, 2001, respectively, will cease upon adoption.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which requires recording the fair value of a liability for an asset retirement obligation in the period incurred. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application permitted. Upon adoption of the standard, the Company will be required to use a cumulative effect approach to recognize transition amounts for any existing retirement obligation liabilities, asset retirement costs, and accumulated depreciation. The Company has not determined what effect this statement will have on its financial statements, if any.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". This new statement also supercedes certain aspects of APB 30, "Reporting

the Results of Operations-Reporting the Effects of Disposal of a Segment of a business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions”, with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred rather than as of the measurement date as presently required by APB 30. Additionally, certain dispositions may now qualify for discontinued operations treatment. The provisions of this statement are required to be applied for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The Company has not yet determined what effect this statement will have on its financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has foreign currency exchange risks primarily related to its offshore marine service vessel operations that are conducted from ports located in the United Kingdom where its functional currency is Pounds Sterling. To protect certain of the U.S. dollar value of Pound Sterling denominated net assets of the Company from the effects of volatility in foreign exchange rates that might occur prior to their conversion to U.S. dollars, the Company has entered into forward exchange contracts. The forward exchange contracts enable the Company to sell Pounds Sterling in the future at fixed exchange rates to offset the consequences of changes in foreign exchange on the amount of U.S. dollar cash flows to be derived from the net assets. The Company considers these forward exchange contracts as economic hedges of a net investment as the translation adjustments resulting from the forward exchange contracts move in the opposite direction from the translation adjustments resulting from the restatement of its United Kingdom subsidiaries’ net assets. At September 30, 2001, the Company had no outstanding contracts for which hedge accounting criteria were met.

The Company has entered into and settled various positions in natural gas and crude oil via swaps, options, and futures contracts pursuant to which, on each applicable settlement date, the Company receives or pays an amount, if any, by which a contract price for a swap, an option, or a futures contract exceeds the settlement price quoted on the NYMEX or receives or pays the amount, if any, by which the settlement prices quoted on the NYMEX exceeds the contract price. The general purpose of these hedge transactions is to provide value to the Company should the price of natural gas and crude oil decline, which, if sustained, would lead to a decline in the Company’s offshore assets’ market values and cash flows. For accounting purposes, the Company records the change in market value of its commodity contracts at the end of each month and recognizes a related gain or loss. At September 30, 2001, the Company’s positions in commodity contracts were not material.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

On August 15, 2001, the Company's Board of Directors (the "Board") expanded the size of the fully constituted Board from nine to eleven directors and named Oivind Lorentzen and James Cowderoy to fill the vacancies created in the newly-expanded Board, to serve until the next annual meeting of the Company's stockholders and their successors are elected and qualified or until their earlier resignation or removal.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits:

None

B. Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEACOR SMIT Inc.
(Registrant)

DATE: NOVEMBER 14, 2001

By: /s/ Charles Fabrikant
Charles Fabrikant, Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

DATE: NOVEMBER 14, 2001

By: /s/ Randall Blank
Randall Blank, Executive Vice President,
Chief Financial Officer and Secretary
(Principal Financial Officer)